



Arnold Schwarzenegger, Governor
State of California
Business, Transportation and Housing Agency

Department of Managed Health Care
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October 15, 2008

Maria Borje-Bonkowski
Director, HP Licensing/Submissions
Kaiser Foundation Health Plan, Inc.
2101 Webster Street, 8th Floor
Oakland, CA 94614

10-21-08 A06:27 IN

RE: Enforcement Matter Number 05-326

LETTER OF AGREEMENT

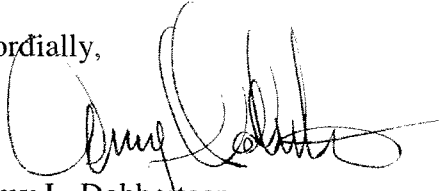
Dear Ms. Borje-Bonkowski

The Department of Managed Health Care (Department) concluded its investigation of Kaiser Foundation Health Plan, Inc. (the Plan) in the above referenced matter on or about April 2007. The focus of that investigation was the Plan's failure to consistently and appropriately pay for out-of-network emergency services provided to its members in situations where the members reasonably believed that a medical emergency existed (Health and Safety Code section 1371.4); for its failure to act promptly and reasonably to adequately investigate and resolve member grievances (Health and Safety Code section 1368); and for its failure to operate in compliance with its basic organizational documents (Health and Safety Code section 1386(b)(1)). A medical survey, focused on the Plan's alleged failure to consistently apply the reasonably prudent layperson standard to the payment of out-of-network emergency room claims was conducted using an 18-month sample of claims. As a result of the survey, the Department determined that sufficient evidence existed to warrant enforcement action.

An administrative penalty of \$500,000 was assessed for this violation. A corrective action plan was instituted allowing the Plan to suspend payment of \$250,000 of that penalty contingent upon achieving full compliance with certain enumerated conditions by December 31, 2007. In the following months, the Department of Managed Health Care monitored the progress of the Plan in meeting each of the goals enumerated in the Agreement which suspended half of the penalty amount.

The Plan failed to meet the stated goals by December 31, 2007. As a result, the Department hereby reinstates the remaining \$250,000 penalty amount. The Plan has agreed to pay this outstanding amount. Future violations of this nature will be dealt with independently of the current case and may be subject to an additional penalty.

Cordially,



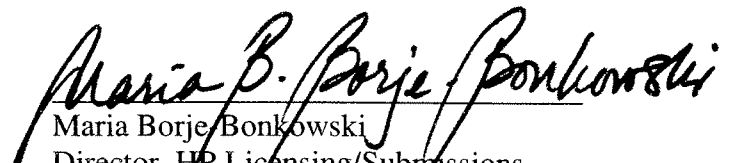
Amy L. Dobbey
Assistant Deputy Director
Office of Enforcement

DLD:slb

Accepted by Kaiser Foundation Health Plan, Inc.

Date: _____

10/28/08



Maria Borje Bonkowski
Director, HP Licensing/Submissions
Kaiser Foundation Health Plan, Inc.